

CITY OF CARTER LAKE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2010

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City of Carter Lake

Officials

<u>Name</u>	<u>Title</u> (Before January 2010)	<u>Term Expires</u>
Russell Kramer	Mayor	January 2010
Tim Parker	Council Member	January 2010
Steve Wilbur	Council Member	January 2010
Edward Aldmeyer	Council Member	January 2012
Joseph Anderson	Council Member	January 2012
Ronald Cumberledge	Council Member	January 2012
Doreen Mowery	Clerk/Treasurer	January 2010
Lisa Ruehle	Deputy Clerk	Indefinite
Joe Thornton	City Attorney	January 2010

<u>Name</u>	<u>Title</u> (After January 2010)	<u>Term Expires</u>
Russell Kramer	Mayor	January 2010
Edward Aldmeyer	Council Member	January 2012
Joseph Anderson	Council Member	January 2012
Ronald Cumberledge	Council Member	January 2012
Tim Parker	Council Member	January 2014
Barbara Melonis	Council Member	January 2014
Doreen Mowery	Clerk/Treasurer	January 2012
Lisa Ruehle	Deputy Clerk	Indefinite
Joe Thornton	City Attorney	January 2011



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

October 7, 2010

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carter Lake, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Carter Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carter Lake as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

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Independent Auditor's Report
City of Carter Lake

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 7, 2010 on our consideration of the City of Carter Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Carter Lake's basic financial statements. The financial statements for the nine years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schraer & Associate, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Carter Lake provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 Financial Highlights

- The City's total receipts for governmental activities decreased approximately \$1,685,000 from fiscal year 2009 to 2010. Short term note proceeds totaling approximately \$3,272,000 received in 2010 were less than the bond and note proceeds of \$4,998,000 received in 2009.
- Disbursements of the City's governmental activities decreased approximately \$3,420,000 from fiscal year 2009 to fiscal year 2010. Capital projects decreased \$1,811,000 and notes refunded decreased \$1,524,000.
- The City's total cash basis net assets increased by \$2,203,000 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$2,742,000 and the assets of the business type activities decreased by \$539,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-Wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water works, the sanitary sewer system and garbage activities. These activities are financed primarily by user charges.

Fund Financial Statements

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Garbage funds, all considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash basis balance for governmental activities increased from a year ago, from \$1,128,666 to \$3,870,754. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 245	162
Operating grants, contributions and restricted interest	643	534
Capital grants, contributions and restricted interest	165	91
General receipts:		
Property tax	1,291	1,388
Tax increment financing	761	667
Local option sales tax	348	397
Other city tax	421	504
Grants and contributions not restricted to specific purpose	5	23
Unrestricted interest on investments	10	18
Bond and note proceeds	3,272	4,998
Other general receipts	12	76
Total receipts	7,173	8,858
Disbursements:		
Public safety	1,036	1,020
Public works	345	487
Health and social services	14	15
Culture and recreation	848	788
Community and economic development	595	528
General government	352	303
Debt service	475	609
Capital projects	1,387	3,198
Notes refunded	-	1,524
Total disbursements	5,052	8,472
Change in cash basis net assets before transfers	2,121	386
Transfers, net	621	(650)
Change in cash basis net assets	2,742	(264)
Cash basis net assets beginning of year	1,129	1,393
Cash basis net assets end of year	\$ 3,871	1,129

Total governmental activities receipts for the fiscal year were approximately \$7,173,000 compared to \$8,858,000 last year. This decrease was due to the receipt of bond and refunding note proceeds for the building of the new City Hall and to refund certain outstanding capital loan notes. The City receipted short term note proceeds in the current year to finance the Locust Street project.

The cost of all governmental activities this year was approximately \$5,052,000 compared to \$8,472,000 last year. This decrease was due primarily to the building of a new City Hall and refunding certain outstanding capital loan notes in the prior year.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 395	393
Sewer	405	382
Garbage	177	170
Total receipts	977	945
Disbursements:		
Water	431	385
Sewer	346	252
Garbage	118	129
Total disbursements	895	766
Change in cash basis net assets before transfers	82	179
Transfers, net	(621)	650
Change in cash basis net assets	(539)	829
Cash basis net assets beginning of year	1,727	898
Cash basis net assets end of year	\$ 1,188	1,727

Total business type activities charges for services receipts for the fiscal year were \$962,021 compared to \$937,658 last year. The cash balance decreased approximately \$536,000 from the prior year. The decrease was primarily due to the transfer of approximately \$621,000 to the capital projects fund for the Locust Street project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Carter Lake completed the year, its governmental funds reported a combined fund balance of \$3,870,754, an increase of \$2,742,088 from last year's balance of \$1,128,666. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$48,723 to \$648,807. This decrease is due primarily to the use of the cash balances for operations of the General Fund, the Resource Center Fund and the Parks Fund.
- The Special Revenue, Road Use Tax Fund balance decreased \$54,947 to \$57,415. The decrease is due to LOST funds no longer being allocated to the Road Use Tax Fund.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$67,637 to \$51,862. The decrease is due to increased costs of workman's compensation and employee health insurance.
- The Special Revenue, Tax Increment Financing Fund cash balance decreased \$39,792 to \$317,213 to \$315,017. The decrease is due to the transfer of TIF funds to the Capital Projects Fund to cover capital expenses for the City Hall and Locust Street projects.
- The Debt Service Fund decreased \$653 to \$315,017.
- The Capital Projects Fund increased \$2,950,027 to a cash balance of \$2,408,263. This increase is due primarily to the receipt of short term note proceeds, including building the new City Hall and the Locust Street project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$373,216 to \$317,149, due primarily to a transfer of \$337,826 for the Locust Street Project.
- The Sewer Fund cash balance decreased \$224,119 to \$458,377, due primarily to a transfer of \$282,798 for the Locust Street Project.
- The Garbage Fund cash balance increased \$58,622 to \$412,707 due to the collection of fees.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved April 26, 2010 and resulted in an increase in disbursements of \$3,025,932. The increase was primarily for capital projects.

The City receipts were \$522,067 less than budgeted. This was due to the City receiving less in grant funds than budgeted.

With the amendment, total disbursements were \$2,007,276 less than budgeted. The actual disbursement for capital projects was \$1,612,756 less than the amended budget due to timing of project costs.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$8,520,000 in short and long-term debt outstanding, compared to approximately \$5,485,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)			
		Year ended June 30,	
		2010	2009
General obligation notes	\$	1,680	\$ 1,880
Urban renewal tax increment financing revenue notes		60	80
Local option sales tax revenue bonds		3,480	3,525
General obligation anticipation notes		3,300	-
	\$	<u>8,520</u>	\$ <u>5,485</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding debt of approximately \$8,520,000 is below its constitutional debt limit of approximately \$10.1 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Carter Lake's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various City activities.

Taxes are levied at the maximum of \$8.10/1000 valuation. Annual fluctuation in tax rates are typically a reflection of insurance and employee benefits costs. Business type functions are reviewed annually and adjusted based on current costs.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Doreen Mowery, City Clerk, 950 Locust Street, Carter Lake, Iowa 51510.

City of Carter Lake
Basic Financial Statements

City of Carter Lake
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2010

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,035,862	76,437	76,343
Public works	345,078	85,816	301,290
Health and social services	14,007	-	-
Culture and recreation	847,624	76,178	154,416
Community and economic development	595,407	-	84,183
General government	352,446	6,830	17,648
Debt service	474,536	-	8,861
Capital projects	1,386,595	-	-
Total governmental activities	5,051,555	245,261	642,741
Business type activities:			
Water	430,642	395,252	-
Sewer	346,311	404,990	-
Garbage	118,161	176,783	-
Total business type activities	895,114	977,025	-
Total	\$ 5,946,669	1,222,286	642,741

General Receipts:

Property tax levied for:
 General purposes
 Employee benefits
 Debt service
 Tax increment financing
 Local option sales tax
 Other city tax
 Grants and contributions not restricted to specific purpose
 Unrestricted interest on investments
 Note proceeds, net of \$28,050 discount
 Sale of assets
 Transfers
 Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, restated

Cash basis net assets end of year

Cash Basis Net Assets:

Restricted:
 Expendable:
 Streets
 Employee benefits
 Tax increment financing
 Debt service
 Capital projects
 Other purposes
 Unrestricted

Total cash basis net assets

See notes to financial statements.

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(883,082)	-	(883,082)
-	42,028	-	42,028
-	(14,007)	-	(14,007)
-	(617,030)	-	(617,030)
-	(511,224)	-	(511,224)
-	(327,968)	-	(327,968)
-	(465,675)	-	(465,675)
165,015	(1,221,580)	-	(1,221,580)
165,015	(3,998,538)	-	(3,998,538)
-	-	(35,390)	(35,390)
-	-	58,679	58,679
-	-	58,622	58,622
-	-	81,911	81,911
165,015	(3,998,538)	81,911	(3,916,627)
\$	875,506	-	875,506
	246,666	-	246,666
	169,240	-	169,240
	761,192	-	761,192
	348,198	-	348,198
	421,612	-	421,612
	4,330	-	4,330
	9,718	-	9,718
	3,271,950	-	3,271,950
	11,590	-	11,590
	620,624	(620,624)	-
	6,740,626	(620,624)	6,120,002
	2,742,088	(538,713)	2,203,375
	1,128,666	1,726,946	2,855,612
\$	3,870,754	1,188,233	5,058,987
\$	57,415	-	57,415
	51,862	-	51,862
	317,213	-	317,213
	315,017	-	315,017
	2,408,263	-	2,408,263
	72,177	-	72,177
	648,807	1,188,233	1,837,040
\$	3,870,754	1,188,233	5,058,987

City of Carter Lake
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2010

		Special Revenue		
	General	Road Use Tax	Employee Benefits	Tax Increment Financing
Receipts				
Property tax	\$ 849,405	-	246,666	-
Tax increment financing collections	-	-	-	761,192
Other city tax	465,138	2,031	6,202	-
Licenses and permits	50,960	-	-	-
Use of money and property	35,188	-	-	-
Intergovernmental	245,249	301,290	-	-
Charges for service	156,796	-	-	-
Special assessments	11,390	-	-	-
Miscellaneous	60,915	-	-	12,214
Total receipts	<u>1,875,041</u>	<u>303,321</u>	<u>252,868</u>	<u>773,406</u>
Disbursements				
Operating:				
Public safety	823,926	-	198,424	-
Public works	996	344,082	-	-
Health and social services	14,007	-	-	-
Culture and recreation	766,776	-	80,848	-
Community and economic development	44,556	-	-	550,851
General government	311,213	-	41,233	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>1,961,474</u>	<u>344,082</u>	<u>320,505</u>	<u>550,851</u>
Excess (deficiency) of receipts over (under) disbursements	(86,433)	(40,761)	(67,637)	222,555
Other financing sources (uses):				
Sale of capital assets	9,090	-	-	-
Short term note , proceeds net of discount	-	-	-	-
Operating transfers in	28,620	-	-	-
Operating transfers out	-	(14,186)	-	(262,347)
Total other financing sources (uses)	<u>37,710</u>	<u>(14,186)</u>	<u>-</u>	<u>(262,347)</u>
Net change in cash balances	(48,723)	(54,947)	(67,637)	(39,792)
Cash balances beginning of year, restated	<u>697,530</u>	<u>112,362</u>	<u>119,499</u>	<u>357,005</u>
Cash balances end of year	\$ <u>648,807</u>	<u>57,415</u>	<u>51,862</u>	<u>317,213</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
General fund	648,807	-	-	-
Special revenue funds	-	57,415	51,862	317,213
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ <u>648,807</u>	<u>57,415</u>	<u>51,862</u>	<u>317,213</u>

See notes to financial statements.

Exhibit B

Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total
169,240	-	26,101	1,291,412
-	-	-	761,192
295,782	-	657	769,810
-	-	-	50,960
8,861	4,496	321	48,866
-	87,688	-	634,227
-	-	641	157,437
-	-	-	11,390
-	72,831	18,225	164,185
<u>473,883</u>	<u>165,015</u>	<u>45,945</u>	<u>3,889,479</u>
-	-	13,512	1,035,862
-	-	-	345,078
-	-	-	14,007
-	-	-	847,624
-	-	-	595,407
-	-	-	352,446
474,536	-	-	474,536
-	1,386,595	-	1,386,595
<u>474,536</u>	<u>1,386,595</u>	<u>13,512</u>	<u>5,051,555</u>
(653)	(1,221,580)	32,433	(1,162,076)
-	2,500	-	11,590
-	3,271,950	-	3,271,950
-	897,157	-	925,777
-	-	(28,620)	(305,153)
-	<u>4,171,607</u>	<u>(28,620)</u>	<u>3,904,164</u>
(653)	2,950,027	3,813	2,742,088
<u>315,670</u>	<u>(541,764)</u>	<u>68,364</u>	<u>1,128,666</u>
<u>315,017</u>	<u>2,408,263</u>	<u>72,177</u>	<u>3,870,754</u>
315,017	-	-	315,017
-	-	-	648,807
-	-	72,177	498,667
-	<u>2,408,263</u>	-	<u>2,408,263</u>
<u>315,017</u>	<u>2,408,263</u>	<u>72,177</u>	<u>3,870,754</u>

City of Carter Lake
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2010

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 383,248	401,990	176,783	962,021
Miscellaneous	12,004	3,000	-	15,004
Total operating receipts	395,252	404,990	176,783	977,025
Operating disbursements:				
Business type activities	430,642	346,311	118,161	895,114
Total operating disbursements	430,642	346,311	118,161	895,114
Excess (deficiency) of operating receipts over (under) operating disbursements	(35,390)	58,679	58,622	81,911
Other financing sources (uses):				
Operating transfers out	(337,826)	(282,798)	-	(620,624)
Net change in cash balances	(373,216)	(224,119)	58,622	(538,713)
Cash balances beginning of year	690,365	682,496	354,085	1,726,946
Cash balances end of year	\$ 317,149	458,377	412,707	1,188,233
Cash Basis Fund Balances				
Unreserved	\$ 317,149	458,377	412,707	1,188,233

See notes to financial statements.

City of Carter Lake
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies

The City of Carter Lake is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1930 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Carter Lake has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City (primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Blended Component Unit

The Carter Lake Smoke Eaters is legally separate from the City but is so intertwined with the City, that it is in substance, the same as the City. It is reported as part of the City and blended into Special Revenue Funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Pottawattamie County Assessor's Conference Board and the Pottawattamie County Joint E911 Service Board.

City of Carter Lake
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

City of Carter Lake
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for the collection and use of tax for insurance benefits.

The Tax Increment Financing Fund is used to account for urban renewal tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general and local option sales tax long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through proprietary funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Fund accounts for the collection and disbursement of garbage collection fees and landfill fees.

C. Measurement Focus and Basis of Accounting

The City of Carter Lake maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

City of Carter Lake
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amended amounts budgeted.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2008, to compute the amounts which became liens on property on July 1, 2009. These taxes were due and payable in two installments on September 30, 2009 and March 31, 2010, at the Pottawattamie County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Carter Lake
Notes to Financial Statements
June 30, 2010

NOTE (2) Cash and Pooled Investments – Continued

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation and urban renewal tax increment financing revenue notes and local option sales tax revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds & Notes Principal	Urban Renewal Tax Increment Financing Revenue Notes Principal	Local Option Sales Tax Revenue Bonds Principal	Total Principal
2011	\$ 195,000	20,000	45,000	260,000
2012	205,000	20,000	50,000	275,000
2013	180,000	20,000	50,000	250,000
2014	185,000	-	55,000	240,000
2015	190,000	-	55,000	245,000
2016-2020	590,000	-	430,000	1,020,000
2021-2025	135,000	-	550,000	685,000
2026-2030	-	-	695,000	695,000
2031-2035	-	-	890,000	890,000
2036-2038	-	-	660,000	660,000
Total	\$ 1,680,000	60,000	3,480,000	5,220,000

Year Ending June 30,	General Obligation Bonds & Notes Interest	Urban Renewal Tax Increment Financing Revenue Notes Interest	Local Option Sales Tax Revenue Bonds Interest	Total Interest
2011	\$ 69,673	4,200	175,888	249,761
2012	62,490	2,800	174,088	239,019
2013	54,558	1,400	172,088	228,046
2014	47,253	-	169,963	217,216
2015	39,665	-	167,625	207,290
2016-2020	109,313	-	788,756	898,069
2021-2025	6,210	-	675,813	682,023
2026-2030	-	-	524,169	524,169
2031-2035	-	-	323,513	323,513
2036-2038	-	-	73,175	73,175
Total	\$ 389,162	8,400	3,245,078	3,642,281

Interest costs paid during the year ended June 30, 2010 totaled \$259,948.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$10,101,000 which was not exceeded during the year ended June 30, 2010.

City of Carter Lake
Notes to Financial Statements
June 30, 2010

NOTE (3) Bonds and Notes Payable – Continued

Urban Renewal Tax increment Financing Revenue Notes

The urban renewal tax increment financing (TIF) revenue notes were issued, for the purpose of defraying a portion of the costs of carrying out a urban renewal project for the City. The notes are payable solely from the income and proceeds of the Special Revenue, Tax Increment Financing Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the notes. The proceeds of the urban renewal tax increment financing revenue notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future tax increment financing revenues received by the City.
- b) Sufficient monthly transfers shall be made to a separate urban revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) Additional monthly transfers of 25% of the amount required to be deposited each month in the sinking account shall be made to an urban revenue reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of making the note principal and interest payments when the sinking fund is insufficient.

Local Option Sales Tax Revenue Bonds

In July 2008, the City issued local option sales tax revenue bonds for the purpose of constructing a new City Hall. Local option sales tax receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitations of the City. The resolution providing for the issuance of the revenue bonds includes a provision which requires sufficient transfers shall be made to a separate bond reserve account to cover the maximum annual amount of principal and interest coming due.

City of Carter Lake
Notes to Financial Statements
June 30, 2010

NOTE (3) Bonds and Notes Payable – Continued

General Obligation Anticipation Project Notes

On April 1, 2010, the City issued \$3,300,000 general obligation anticipation project notes, bearing interest at the rate of .85%, maturing on April 1, 2011. The project notes were issued for the purpose of paying costs of a public improvement project for Locust Street. The notes are to be paid from the future receipt of the sale of general obligation capital loan notes.

The City is in compliance with the provisions of the bond and note resolutions.

NOTE (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008, were \$92,723, \$78,097, and \$72,956 respectively, equal to the required contributions for each year.

NOTE (5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 23 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with TrueNorth. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$598 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, there were no plan members eligible for benefits.

City of Carter Lake
Notes to Financial Statements
June 30, 2010

NOTE (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2010, primarily relating to the General Fund and Proprietary Funds are as follows:

Type of Benefit	Amount
Vacation	\$ 44,000
Sick leave	65,000
Compensatory time	6,000
	<u>\$ 115,000</u>

This liability is computed on rates of pay effective as of June 30, 2010.

NOTE (7) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital, and, if insufficient, by the subsequent year's member contributions.

City of Carter Lake
Notes to Financial Statements
June 30, 2010

NOTE (7) Risk Management (Continued)

The city's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2010 were \$81,434.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool, up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claim shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Carter Lake
Notes to Financial Statements
June 30, 2010

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Emergency	\$ 28,620
Capital Projects	Special Revenue: Road Use Tax	14,186
	Tax Increment Financing	262,347
	Enterprise: Water	337,826
	Sewer	282,798
		<u>897,157</u>
		\$ <u>925,777</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

NOTE (9) Development and Rebate Agreements

The City entered into three separate development and rebate agreements during the years ended June 20, 2000 and June 30, 2004, to assist in urban renewal projects. The City agreed to rebate incremental tax paid by the developer in exchange for public improvement infrastructure constructed by the developer as set forth in the urban renewal plans.

In accordance with the first fiscal year 2000 development and rebate agreement, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years beginning with the tax year in which property tax on the completed value of the improvements is first paid. The total amount rebated is not to exceed the cost of the public improvements paid for by the developer, which is \$1,650,000. Of the amount collected, 57% is to be paid to the developer and 43% is to be used for the development of low and moderate income housing projects. During the year ended June 30, 2010, the City paid the developer \$223,307 and allocated \$171,510 for low to moderate income housing projects from the tax increment financing received.

In accordance with the second fiscal year 2000 development and rebate agreement, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated up to project costs of \$400,000 for a period not to exceed twelve years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2010, the City paid the developer \$135,892. This agreement is paid in full.

City of Carter Lake
Notes to Financial Statements
June 30, 2010

NOTE (9) Development and Rebate Agreements (Continued)

In accordance with the fiscal year 2004 development and rebate agreement, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of fifteen years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The total amount rebated each year shall represent 50% of the incremental property tax received by the City, not to exceed total projected costs of \$294,000. During the year ended June 30, 2010, the City paid the developer \$30,570.

NOTE (10) Related Party Transactions

The City had transactions between the City and City officials totaling \$2,590 during the year ended June 30, 2010.

NOTE (11) Construction Commitments

At June 30, 2010, the City had the following construction commitments:

	Estimated Contract Amount	Paid to Date	Remaining Commitment	Retainage Payable
City Hall Project				
Engineering	\$ 219,799	219,799	-	-
Construction	3,000,940	2,981,680	19,260	17,030
Locust Street Project				
Engineering	\$ 294,572	294,572	-	-
Construction	3,342,086	701,657	2,640,429	21,701
			<u>\$ 2,659,689</u>	<u>38,731</u>

NOTE (12) Prior Period Restatement

The beginning cash balance for the Debt Service fund has been restated to reflect additional monies held in escrow by Banker's Trust for the payment of existing debt. The effect of the restatement increases the beginning cash balance at June 30, 2009 by \$25,538, and increases the change in cash balances by that same amount for the year then ended.

NOTE (13) Subsequent Events

In July 2010, the City approved further action for a \$375,000 general obligation loan agreement.

Required Supplementary Information

City of Carter Lake
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts			
Property tax	\$ 1,291,412	-	-
Tax increment financing collections	761,192	-	-
Other city tax	769,810	-	-
Licenses and permits	50,960	-	-
Use of money and property	48,866	-	-
Intergovernmental	634,227	-	-
Charges for service	157,437	962,021	321
Special assessments	11,390	-	-
Miscellaneous	164,185	15,004	18,225
Total receipts	<u>3,889,479</u>	<u>977,025</u>	<u>18,546</u>
Disbursements			
Public safety	1,035,862	-	13,333
Public works	345,078	-	-
Health and social services	14,007	-	-
Culture and recreation	847,624	-	-
Community and economic development	595,407	-	-
General government	352,446	-	-
Debt service	474,536	-	-
Capital projects	1,386,595	-	-
Business type activities	-	895,114	-
Total disbursements	<u>5,051,555</u>	<u>895,114</u>	<u>13,333</u>
Excess (deficiency) of receipts over (under) disbursements	(1,162,076)	81,911	5,213
Other financing sources, net	<u>3,904,164</u>	<u>(620,624)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,742,088	(538,713)	5,213
Balances beginning of year	<u>1,128,666</u>	<u>1,726,946</u>	<u>27,171</u>
Balances end of year	<u>\$ 3,870,754</u>	<u>1,188,233</u>	<u>32,384</u>

See accompanying independent auditors' report.

Total	Original Budgeted Amounts	Final Budgeted Amounts	Budget to Actual Variance
1,291,412	1,312,059	1,310,198	(18,786)
761,192	755,000	763,070	(1,878)
769,810	974,015	761,954	7,856
50,960	33,180	38,250	12,710
48,866	59,163	45,178	3,688
634,227	679,056	1,264,312	(630,085)
1,119,137	1,075,665	1,085,400	33,737
11,390	10,000	10,000	1,390
160,964	94,833	91,663	69,301
4,847,958	4,992,971	5,370,025	(522,067)
1,022,529	1,143,885	1,142,481	119,952
345,078	385,434	346,621	1,543
14,007	15,000	15,000	993
847,624	824,290	873,841	26,217
595,407	627,048	751,922	156,515
352,446	383,288	376,609	24,163
474,536	529,295	475,861	1,325
1,386,595	113,194	2,999,351	1,612,756
895,114	893,246	958,926	63,812
5,933,336	4,914,680	7,940,612	2,007,276
(1,085,378)	78,291	(2,570,587)	1,485,209
3,283,540	-	3,270,950	12,590
2,198,162	78,291	700,363	1,497,799
2,828,441	2,259,786	2,802,903	25,538
5,026,603	2,338,077	3,503,266	1,523,337

City of Carter Lake
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,025,932. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements did not exceed the amended budgeted amounts.

Other Supplementary Information

City of Carter Lake
 Schedule of Cash Receipts, Disbursements and Changes
 in Cash Balances – Nonmajor Governmental Funds
 As of and for the year ended June 30, 2010

	Emergency	Police Forfeitures	Info USA CEBA Grant	Carter Lake Smoke Eaters	Total
Receipts					
Property tax	\$ 26,101	-	-	-	26,101
Other city tax	657	-	-	-	657
Use of money and property	-	-	-	321	321
Charges for services	-	641	-	-	641
Miscellaneous	-	-	-	18,225	18,225
Total receipts	26,758	641	-	18,546	45,945
Disbursements					
Operating:					
Public safety	-	179	-	13,333	13,512
Total disbursements	-	179	-	13,333	13,512
Excess (deficiency) of receipts over (under) disbursements	26,758	462	-	5,213	32,433
Other financing sources (uses):					
Operating transfers out	(28,620)	-	-	-	(28,620)
Net change in cash balances	(1,862)	462	-	5,213	3,813
Cash balances beginning of year	1,732	1,439	38,022	27,171	68,364
Cash balances end of year	\$ (130)	1,901	38,022	32,384	72,177
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ (130)	1,901	38,022	32,384	72,177

See accompanying independent auditors' report.

City of Carter Lake
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan	Jun 1, 2006	3.75-4.30%	\$ 600,000
Capital loan refunding	Jul 1, 2008	3.00-3.75%	540,000
Capital loan advance refunding	Jul 1, 2008	4.00-4.60%	1,055,000
Urban renewal tax increment financing revenue notes:			
Capital loan	Feb 1, 1999	7.00%	\$ 200,000
Local option sales tax revenue bonds:			
Revenue bonds	Jul 1, 2008	4.00-5.50%	\$ 3,580,000
General obligation anticipation project notes:			
Capital loan	Apr 1, 2010	0.85%	\$ 3,300,000

See accompanying independent auditors' report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
425,000	-	65,000	360,000	17,635	-
400,000	-	135,000	265,000	14,000	-
<u>1,055,000</u>	<u>-</u>	<u>-</u>	<u>1,055,000</u>	<u>45,025</u>	<u>-</u>
<u>1,880,000</u>	<u>-</u>	<u>200,000</u>	<u>1,680,000</u>	<u>76,660</u>	<u>-</u>
<u>80,000</u>	<u>-</u>	<u>20,000</u>	<u>60,000</u>	<u>5,600</u>	<u>-</u>
<u>3,525,000</u>	<u>-</u>	<u>45,000</u>	<u>3,480,000</u>	<u>177,688</u>	<u>-</u>
<u>-</u>	<u>3,300,000</u>	<u>-</u>	<u>3,300,000</u>	<u>-</u>	<u>-</u>

City of Carter Lake
Bond and Note Maturities
June 30, 2010

General Obligation Notes							
Year Ending June 30,	Capital Loan Issued Jun 1, 2006		Capital Loan Refunding Issued Jul 1, 2008		Capital Loan Advance Refunding Issued Jul 1, 2008		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2011	4.05%	\$ 65,000	3.50%	\$ 130,000	-	\$ -	\$ 195,000
2012	4.10%	70,000	3.75%	135,000	-	-	205,000
2013	4.15%	70,000	-	-	4.00%	110,000	180,000
2014	4.25%	75,000	-	-	4.00%	110,000	185,000
2015	4.30%	80,000	-	-	4.00%	110,000	190,000
2016	-	-	-	-	4.25%	115,000	115,000
2017	-	-	-	-	4.25%	115,000	115,000
2018	-	-	-	-	4.30%	120,000	120,000
2019	-	-	-	-	4.40%	120,000	120,000
2020	-	-	-	-	4.50%	120,000	120,000
2021	-	-	-	-	4.60%	135,000	135,000
		<u>\$ 360,000</u>		<u>\$ 265,000</u>		<u>\$ 1,055,000</u>	<u>\$ 1,680,000</u>

Urban Renewal Tax Increment Financing Revenue Notes		
Year Ending June 30,	Capital Loan Issued Feb 1, 1999	
	Interest Rates	Amount
2011	7.00 %	\$ 20,000
2012	7.00 %	20,000
2013	7.00 %	20,000
		<u>\$ 60,000</u>

See accompanying independent auditors' report.

Year Ending June 30,	Local Option Sales Tax	
	Revenue Bonds	
	Issued Jul 1, 2008	
	Interest Rates	Amount
2011	\$ 4.000%	\$ 45,000
2012	4.000%	50,000
2013	4.250%	50,000
2014	4.250%	55,000
2015	4.375%	55,000
2016	4.500%	80,000
2017	4.500%	80,000
2018	4.625%	85,000
2019	4.750%	90,000
2020	4.750%	95,000
2021	4.750%	100,000
2022	4.875%	105,000
2023	4.875%	110,000
2024	4.875%	115,000
2025	5.125%	120,000
2026	5.125%	125,000
2027	5.125%	130,000
2028	5.125%	140,000
2029	5.250%	145,000
2030	5.250%	155,000
2031	5.250%	160,000
2032	5.250%	170,000
2033	5.250%	180,000
2034	5.250%	185,000
2035	5.250%	195,000
2036	5.250%	210,000
2037	5.500%	220,000
2038	5.500%	230,000
		<u>\$ 3,480,000</u>

City of Carter Lake
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2010	2009	2008	2007	2006
Receipts					
Property tax	\$ 1,291,412	1,371,397	1,338,413	1,481,188	1,289,066
Tax increment financing collections	761,192	666,705	560,164	572,962	376,635
Other city tax	769,810	917,368	690,569	711,146	497,691
Licenses and permits	50,960	44,228	38,214	41,134	46,467
Use of money and property	48,866	92,497	97,277	137,870	61,782
Intergovernmental	634,227	469,175	678,524	685,306	438,881
Charges for service	157,437	99,001	74,234	87,682	49,911
Special assessments	11,390	17,121	64,153	-	536
Miscellaneous	164,185	182,892	274,683	133,945	109,978
Total	\$ 3,889,479	3,860,384	3,816,231	3,851,233	2,870,947
Disbursements					
Operating:					
Public safety	\$ 1,035,862	1,020,330	1,097,329	919,725	872,856
Public works	345,078	486,637	516,466	405,487	319,333
Health and social services	14,007	14,522	10,065	9,951	980
Culture and recreation	847,624	788,197	800,422	609,128	588,453
Community and economic development	541,819	462,331	578,678	-	-
General government	352,446	302,792	324,096	293,986	265,849
Debt service	528,124	674,988	385,815	421,965	339,194
Capital projects	1,386,595	3,198,281	650,395	1,559,200	301,409
Total	\$ 5,051,555	6,948,078	4,363,266	4,219,442	2,688,074

See accompanying independent auditors' report.

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
1,189,795	1,149,542	1,046,559	1,276,677	1,241,000
212,667	184,343	27,585	95,832	81,320
428,365	382,467	380,556	-	-
62,104	100,410	32,149	16,254	15,982
34,574	31,856	34,355	113,075	94,280
912,363	423,941	402,198	495,575	412,310
45,666	28,979	10,086	110,417	97,300
3,338	4,956	7,158	62,792	63,411
95,589	85,717	93,012	31,296	20,517
<u>2,984,461</u>	<u>2,392,211</u>	<u>2,033,658</u>	<u>2,201,918</u>	<u>2,026,120</u>
802,853	633,691	699,532	387,210	380,300
302,872	370,813	329,723	514,922	500,616
1,350	-	85	99,300	97,311
534,046	588,998	534,420	78,253	75,244
461,828	-	-	11,941	11,829
276,834	263,233	183,444	296,714	298,411
350,693	506,599	465,144	252,111	247,200
-	71,806	446,888	130,030	108,500
<u>2,730,476</u>	<u>2,435,140</u>	<u>2,659,236</u>	<u>1,770,481</u>	<u>1,719,411</u>

City of Carter Lake



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

October 7, 2010

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carter Lake, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 7, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Carter Lake's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Carter Lake's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Carter Lake's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Continued...

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City of Carter Lake
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carter Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Carter Lake's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Carter Lake's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Carter Lake and other parties to whom the City of Carter Lake may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carter Lake during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroeder & Associates, P.C.

City of Carter Lake
Schedule of Findings
Year Ended June 30, 2010

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Carter Lake
Schedule of Findings
Year Ended June 30, 2010

Findings Related to Statutory Reporting:

I-A-10 Certified Budget

Disbursements during the year ended June 30, 2010 did not exceed the amended budgeted amounts.

I-B-10 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

I-C-10 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

I-D-10 Business Transactions

Comment - Business transactions between the City and City officials, employees or relatives of City officials are detailed as follows:

Barb Melonis, Council Member		
Part owner of Carter Lake Hardware	Supplies	\$ <u>2,590</u>

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with a Council Member appear to represent a conflict of interest since transactions with the individual exceeded \$1,500 during the fiscal year.

Recommendation - The City should seek legal advice on this matter.

Response - We will do this.

Conclusion - Response accepted.

I-E-10 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

I-F-10 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Carter Lake
Schedule of Findings
Year Ended June 30, 2010

Findings Related to Statutory Reporting - Continued:

I-G-10 Deposits and Investments

Comment - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted. However the City was unable to locate the approved authorized depository resolution.

Recommendation - The City should update its depository resolution and maximum amounts authorized.

Response - We will do this.

Conclusion - Response accepted.

I-I-10 Revenue Bonds and Notes

No instances of noncompliance with the revenue note and bond resolutions were noted.

I-J-10 Excess Balances

Comment - The balance in the Enterprise - Garbage Account at June 30, 2010, was in excess of the fund's disbursements during the year.

Recommendation - The City should consider the necessity of maintaining these substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response - We are in the processing of reducing the garbage fees charged.

Conclusion - Response accepted.